GOVERNMENT OF THE DISTRICT OF COLUMBIA OFFICE OF THE CHIEF FINANCIAL OFFICER OFFICE OF TAX AND REVENUE



August 29, 2014

OTR NOTICE: 2014-09

DISTRICT OF COLUMBIA'S 5.75% SALES TAX EXTENDED TO ADDITIONAL SERVICES EFFECTIVE OCTOBER 1, 2014

Legislation has been enacted to extend the 5.75 percent sales and use tax to the below services, effective October 1, 2014:

Services

Bottled Water Delivery Service. The sale by a bottled water delivery service of bottled water by the gallon generally for use with and to be dispensed from a water cooler or similar type of water dispenser is subject to sales tax. Persons operating a bottled water delivery service business must report and pay the sales tax on the gross proceeds derived from that business. A security deposit is not part of the taxable purchase price.

Bowling Alley or Billiard Parlor Services. The sale of or charge for the service of a bowling alley or a billiard parlor is subject to sales tax. The total amount charged for bowling is subject to tax. Taxable receipts for bowling shall include all fees or charges, including entry fees and league fees.

The total amount charged for billiards is subject to tax, including charges for coin-operated pool tables. Taxable receipts for participation in billiards shall include all fees or charges for billiards, whether by the game, by the hour, or by other measure.

Car Washing Services. The sale of or charge for the service of car washing, including cleaning, washing, waxing, polishing, or detailing an automotive vehicle is subject to sales tax. The sale of or charge for self-service car washing is not subject to sales tax.

Carpet and Upholstery Cleaning Services. The sale of or charge for the service of carpet and upholstery cleaning, including the cleaning or dyeing of used rugs, carpets, or upholstery, or for rug repair is subject to sales tax.

Health-Club Services. The sale of or charge for the services of a health club subject to sales and use tax. Health-club means a fitness club, fitness center, or gym the purpose of which is physical exercise, includes the use of, access to, or membership to, an athletic club, fitness center, gym, recreational sports facilities featuring exercise and other active physical fitness conditioning or recreational sports activities including swimming, skating, or racquet sports, or other facility for the purpose of physical exercise.

Charges for sale of or charge for the services of a health club include any amounts paid to participate, enter, use, or access the health club, including but not limited to membership dues, drop-in fees, and entrance fees. Charges for the use of facilities for non-fitness-related purposes, including room rentals, or for other services or charges covered by a separate contract with the user, such as a lease or occupancy agreement, are not subject to tax. Sales by nonprofit organizations of the services of a health club will be subject to tax unless the purchaser holds a valid exemption or issues a resale certificate.

Examples of taxable charges for health-club services include (a) a monthly membership to a fitness center to use and access the fitness center's strength training equipment and (b) a daily entrance fee to a tennis club for access to the club's tennis courts.

Charges which do not constitute health club services are not subject to sales tax. For example, if: (a) a gym charges a fee for a lounge pool membership, where the lounge pool membership is not for physical exercise, such fee will not be subject to tax; or (b) a personal trainer is hired by an individual to perform fitness related services at the customer's home or at a fitness center, the fees collected will not be subject to tax.

The entire bundled charge for both taxable health club services and nontaxable services will be presumed taxable if a primary purpose of the transaction is the sale of the taxable health-club services. This presumption may be overcome by the health-club services provider at the time of the transaction by separately stating to the customer a reasonable charge for the taxable services. The service provider's books must support the apportionment between taxable and nontaxable services based on the cost of providing the service or on a comparison to the normal charge for each service if provided alone.

Storage of Household Goods. The sale of or charge for the service of the storage of household goods through renting or leasing space for self-storage, including rooms, compartments, lockers, containers, or outdoor space, except general merchandise warehousing and storage and coin-operated lockers, are subject to sales and use tax.

The total amount charged for providing service of the storage of household goods is subject to tax. Charges associated with the cost of service of the storage of household goods, such as utilities, insurance, pick-up, delivery, locks or keys, are part of the taxable purchase price. Charges that the facility incurs as a result of a tenant who fails to pay including, but not limited to, auction fees and cut-lock fees are not part of the taxable purchase price. A security deposit is not part of the taxable purchase price unless it is converted into a rental payment.

Tanning Services. The sale of or charge for tanning services are subject to sales and use tax. Tanning services means providing individuals a manmade tan, including sun tanning and spray tanning, whether or not assisted by an employee of the tanning business. Charges for tanning services include any amounts paid to for the tanning service, including but not limited to monthly membership fees and appointment fees.

Tax Registration

Affected taxpayers who are not now registered to collect the sales and use tax will need to register with OTR for that purpose. Registration may be accomplished online at www.taxpayerservicecenter.com or by filing Form FR-500, available online or from Customer Service. Upon registration, forms for remitting the tax will be provided.

For additional information, please contact OTR's Customer Service Center at (202) 727-4TAX (4829).